



Department of Justice

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AT
(202) 616-2771
TDD (202) 514-1888

JUSTICE DEPARTMENT FILES ANTITRUST SUIT TO CHALLENGE MICROSOFT'S PURCHASE OF INTUIT

WASHINGTON, D.C. -- The \$2 billion deal planned by Microsoft Corp. to buy Intuit Inc., which includes, "Quicken," the leader in personal finance software, was challenged today by the Department of Justice when its Antitrust Division filed a suit to block the merger on the grounds it would likely lead to higher prices and lessened innovation in that market.

Intuit's Quicken is the leading personal finance software and the Number One selling home personal computer software product with a 1994 market share of almost 70 percent and more than 7 million users. Microsoft's "Money" is the Number Two personal finance competitor with a 1994 market share of about 22 percent and about 1 million users. Between them, Intuit and Microsoft accounted for more than 90 percent of personal finance software sales in the United States in 1994.

Personal finance software is used by consumers at home on personal computers to control their financial records and transactions. In 1994, sales in that market reached nearly \$90 million.

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"Allowing Microsoft to buy a dominant position in this highly concentrated market would likely result in higher prices for consumers who want to buy personal finance software and would cause those buyers to miss out on the huge benefits from innovation," said Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division. "Moreover, Microsoft's control of that market will give it a cornerstone asset that could be used with its existing dominant position in operating systems for personal computers to seize control of the markets of the future, including PC-based home banking."

In an attempt to alleviate anticompetitive consequences, Microsoft said it would transfer part, but not all, of its Money assets, essentially at a zero purchase price, to Novell Inc., a software developer headquartered in Provo, Utah. The complaint alleges that this partial transfer to Novell would not be enough to prevent the anticompetitive effects of the Intuit acquisition since Novell could not be as effective a competitor with Money as was Microsoft.

"This so-called fix just won't work. Novell simply can't replace Microsoft--with its leading position in the personal computer software industry--in competing against an entrenched, dominant product like Intuit's Quicken," said Bingaman. "Also, keeping Quicken independent, will allow others to team with Quicken to compete in the emerging electronic commerce markets, including home banking."

The Department filed its civil antitrust complaint in U.S. District Court in San Francisco. It would prevent Microsoft, headquartered in Redmond, Washington, and Intuit, headquartered in Menlo Park, California, from consummating the proposed deal.

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According to the complaint, both Microsoft and Intuit recognized their combination would enable them to eliminate the substantial competition between them in the personal finance/checkbook software market and the emerging market for home banking. The complaint quotes Intuit's chairman, Scott Cook, as saying to his board of directors that the acquisition would eliminate "a bloody share war" and allow for "enriched terms of trade." The complaint also states that a Microsoft executive concluded: "As a combination we would be dominant."

In its complaint, the Department also stressed that entry into the personal finance software market is difficult. If Microsoft were allowed to buy Intuit's Quicken, a new competitor would not likely be able to enter the market within a reasonable amount of time with a product that would be able to compete effectively in the market, the Department said.

Two other products, H&R Block Financial's "Managing Your Money" and Computer Associates' "Simply Money," are also sold in the personal finance software market. They represent a total of less than 10 percent of the market and have almost no competitive significance, the Department said.

Personal finance/checkbook software products have a number of core integrated functions, including: an electronic checkbook with automated check writing, check register keeping and household budgeting; personal asset and liability tracking and reporting, cash and retirement account tracking and personal financial reporting and statements; and automated bill paying in conjunction with a bill-paying service. These core functions are linked together so the consumer's records and transactions are all automated and connected.

Intuit also makes a number of financial and productivity software products, including, TurboTax and MacInTax tax software and QuickBooks business accounting software.

Microsoft does not currently sell software products in these categories.

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